



## China Sourcing Update

September 20, 2016

### Raw Material Prices: Hard Goods

#### 1. Price index of ABS resin rises slightly in August

The price index of ABS resin<sup>1</sup> went up by 0.3% mom in August, posting month-on-month gain for two consecutive months (*see exhibit 1*).

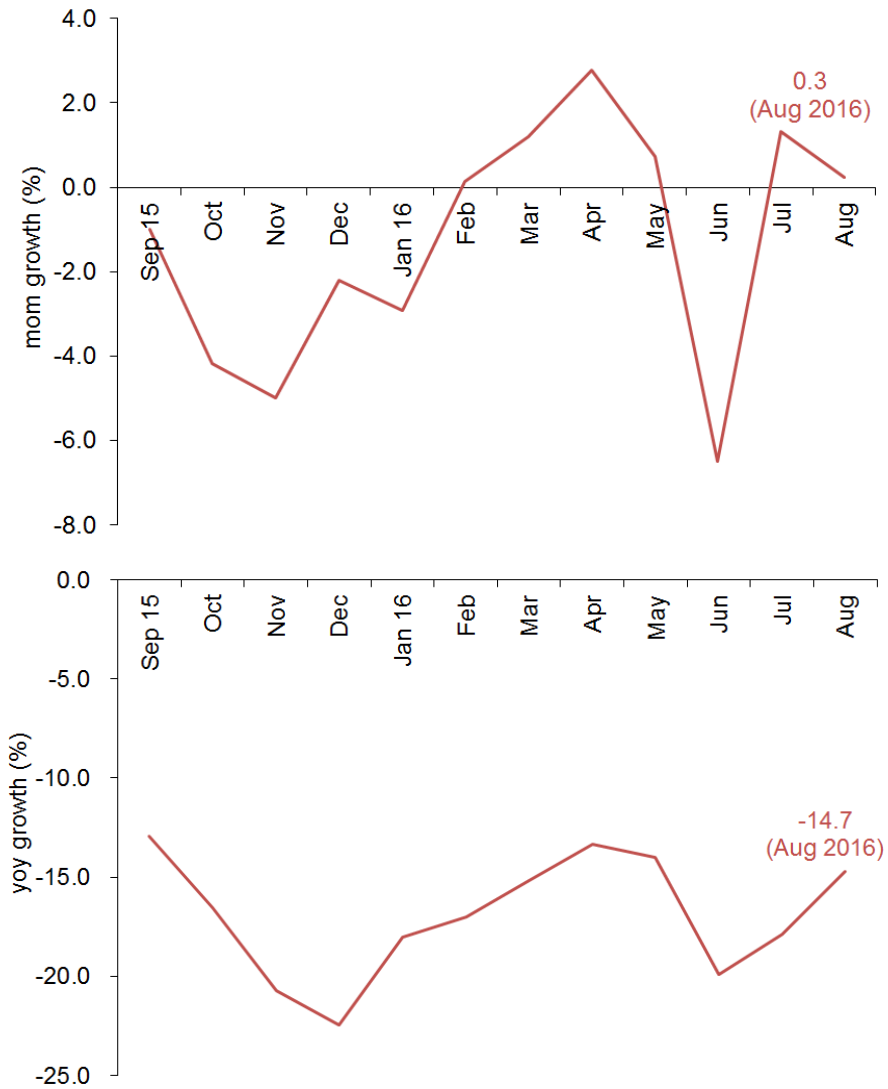
According to the local media, the increase in the price index of ABS resin in August was due largely to the rise in upstream prices; meanwhile, the downstream demand for ABS resin remained soft.

Looking ahead, the downstream demand for ABS resin is likely to improve in the high season of September and October. Therefore, we believe that the prices of ABS resin will rise further in the coming months.

---

<sup>1</sup> The index is compiled by the China Logistics Information Center (CLIC). The CLIC is a sub-division of the China Federation of Logistics & Purchasing (CFLP), which is the first logistics and purchasing industry association approved by the State Council. One of the CFLP's missions is to push forward the circulation of factors of production in China.

**Exhibit 1: Price index of ABS resin, September 2015 to August 2016**



Source: China Logistics Information Center

## 2. Price index of PP rises further

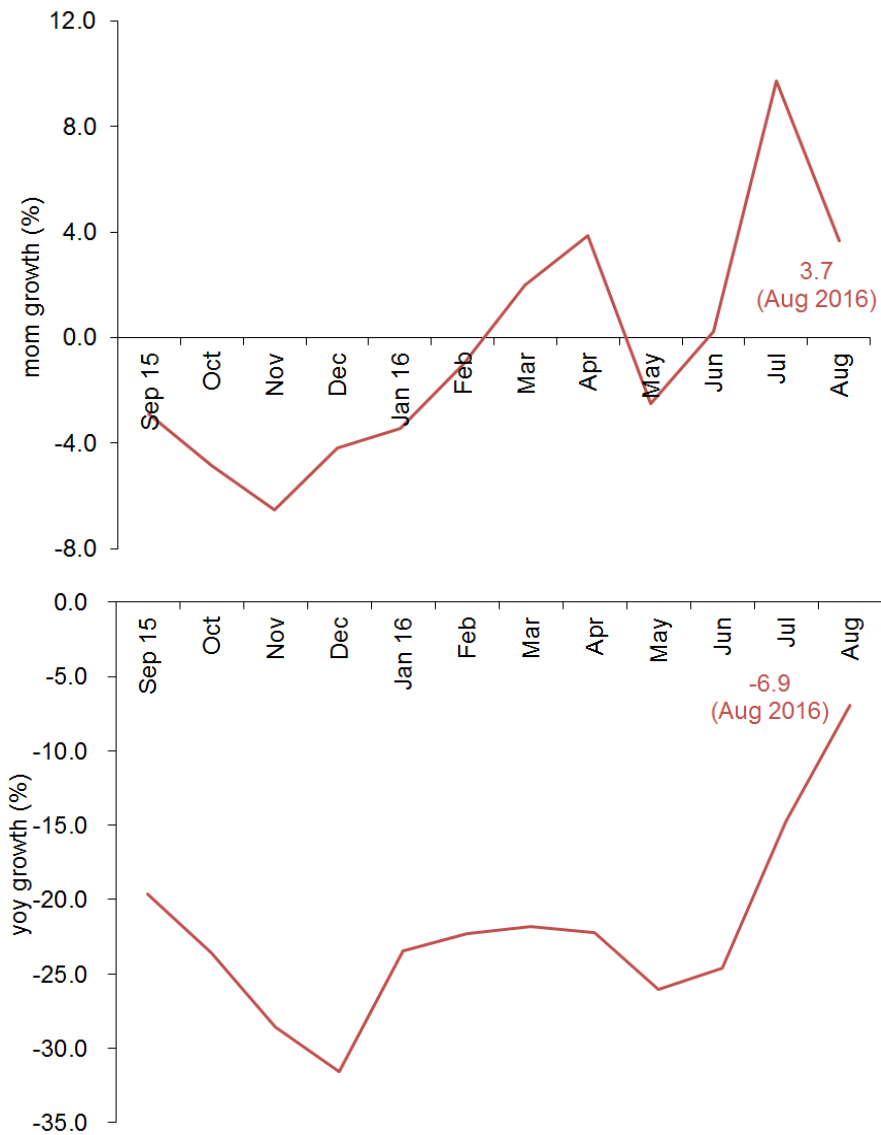
The price index of polypropylene (PP)<sup>2</sup> went up by 3.7% mom in August, posting month-on-month gain for three consecutive months (see exhibit 2).

<sup>2</sup>The index is compiled by the China Logistics Information Center (CLIC).

According to the local media, in August, a number of PP producers in the eastern provinces suspended production due to maintenance or the G20 Leaders Summit in Hangzhou, resulting in a tight supply of PP. The rising upstream prices also contributed to the rise in the prices of PP in the month.

Going forward, as the G20 Leaders Summit ended on 5 September, both the supply of and demand for PP are expected to increase. All in all, we believe that the prices of PP will fluctuate around the current levels in the near term.

**Exhibit 2: Price index of PP, September 2015 to August 2016**



Source: China Logistics Information Center

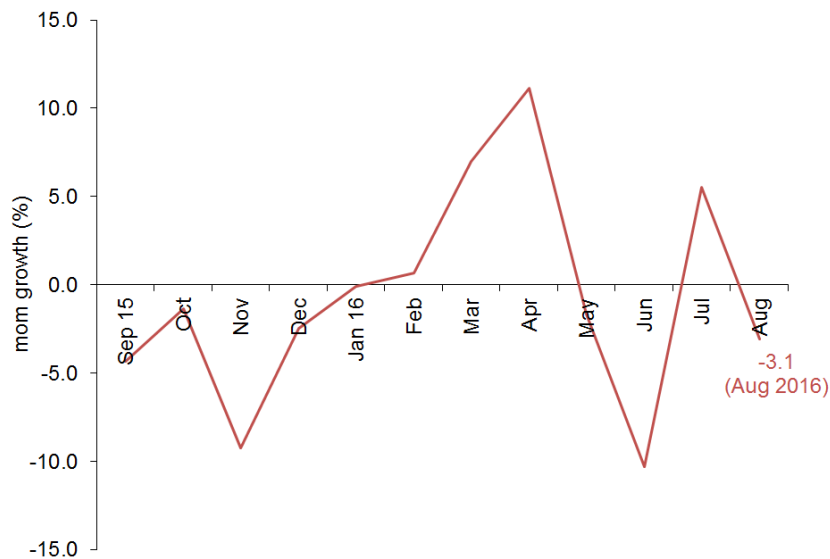
### 3. Price index of natural rubber drops

The price index of natural rubber<sup>3</sup> fell by 3.1% mom in August, after rising by 5.5% mom in July (see exhibit 3).

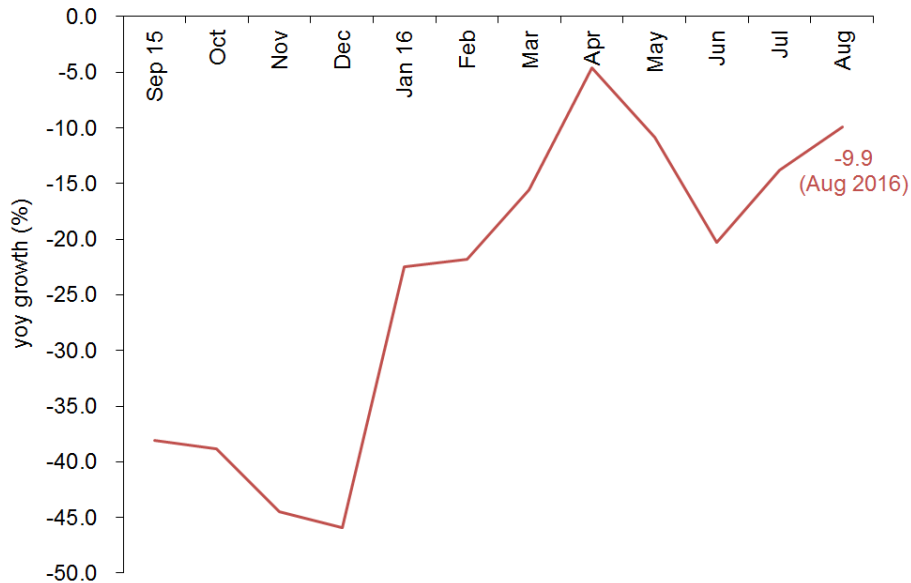
In our view, the decline in the spot prices of natural rubber in the month was mainly caused by the fall in the prices of natural rubber futures in China. The drop in the prices of natural rubber in rubber producing countries such as Thailand also put downward pressure on the prices of natural rubber in China. Moreover, the downstream demand for natural rubber remained weak, especially as the export of tyres, one of the major downstream products of natural rubber, was poor.

Looking ahead, the supply of natural rubber is expected to be abundant in the coming months; meanwhile, the downstream demand for natural rubber shows no signs of recovery. Therefore, we expect the spot prices of natural rubber to fluctuate around the current low levels in the near future.

**Exhibit 3: Price index of natural rubber, September 2015 to August 2016**



<sup>3</sup>The index is compiled by the China Logistics Information Center (CLIC).



Source: China Logistics Information Center

#### 4. Price indices of non-ferrous metals go up further

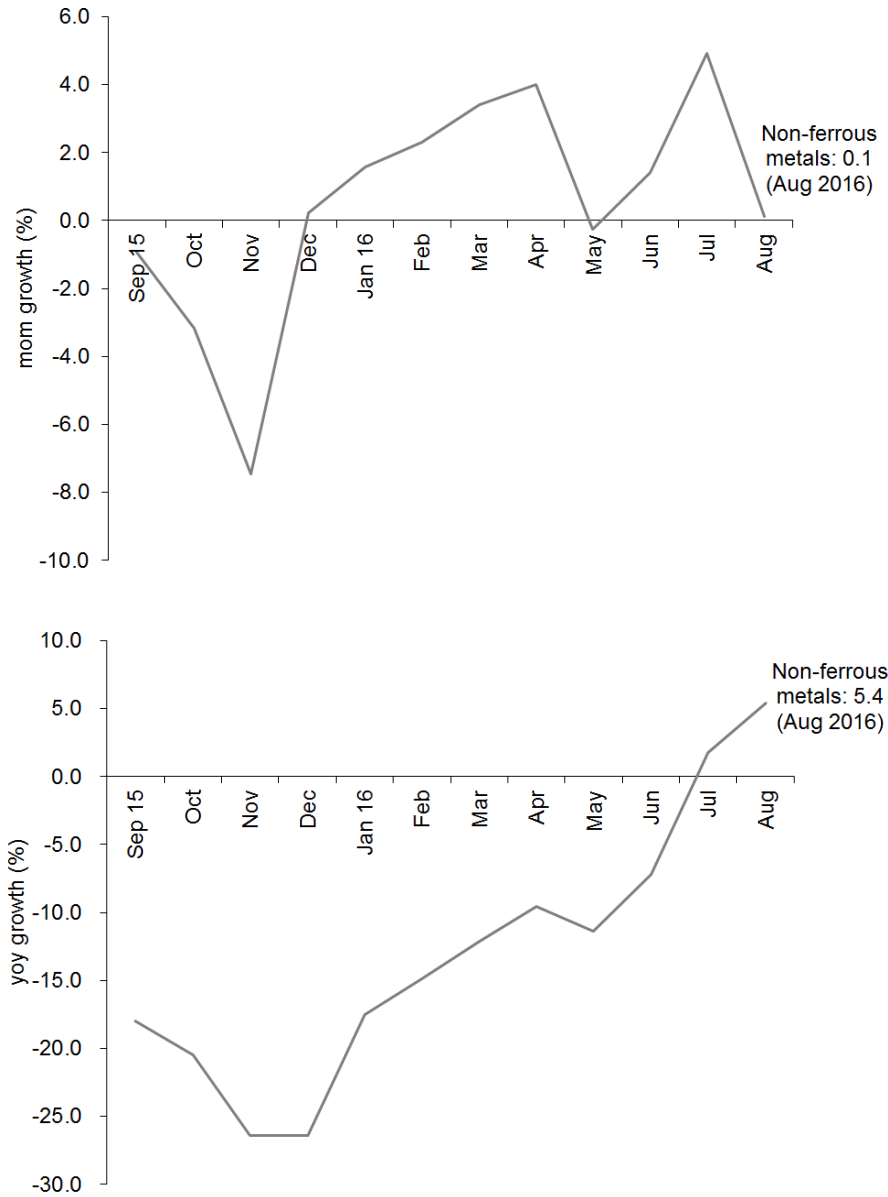
The price index of non-ferrous metals gained 0.1% mom in August, posting month-on-month gain for three consecutive months (see exhibits 4 & 5).<sup>4</sup>

According to the local media, the main reasons for the rise in non-ferrous metal prices in the month were the rising expectations of a delay in interest rate hikes by the US Federal Reserve, and the rebound in global oil prices, which supported commodity prices in general.

Looking ahead, we expect that the prices of non-ferrous metals will fluctuate around the current levels. The domestic stock levels of non-ferrous metals are still high yet falling; and the overcapacity problems among the manufacturers of non-ferrous metals in China are being addressed. Moreover, there is still significant uncertainty as to the timing of interest rate increases in the US.

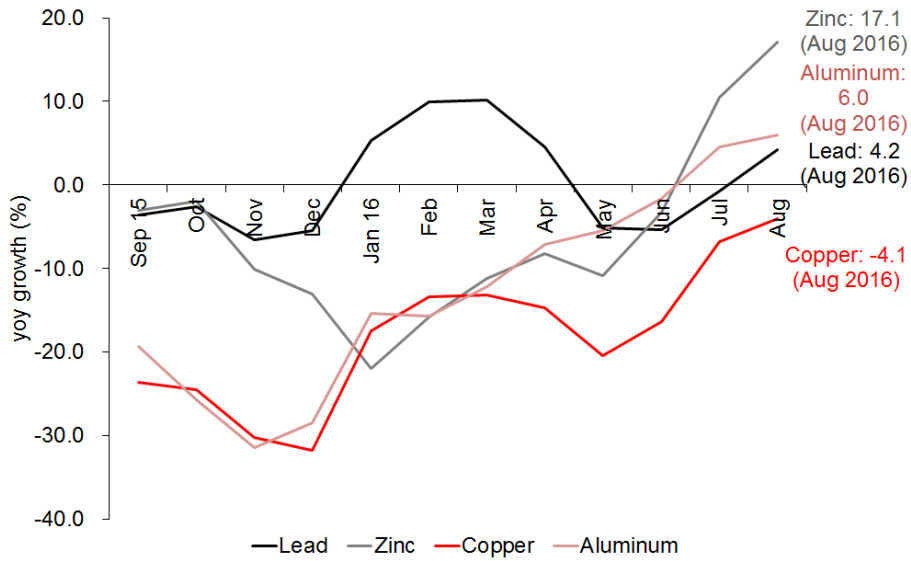
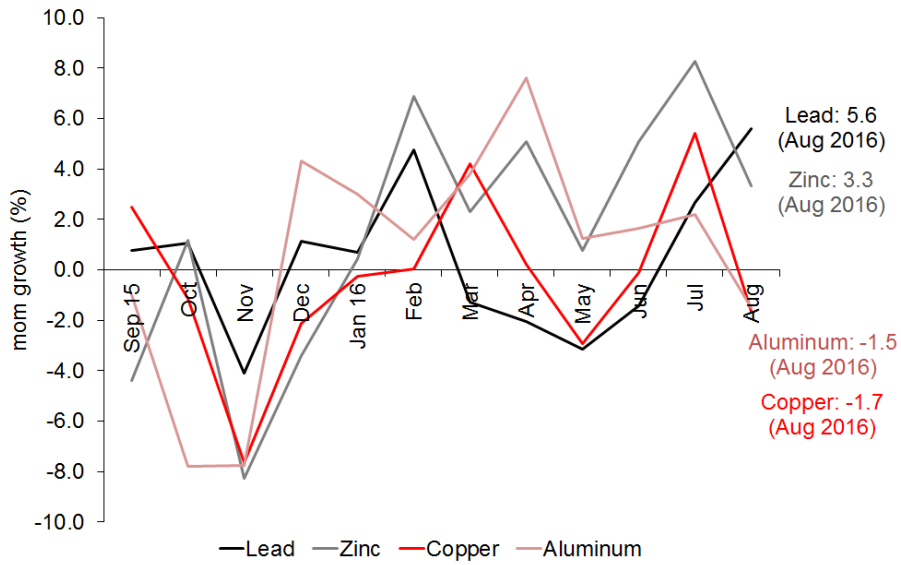
<sup>4</sup> The indices are compiled by the China Logistics Information Center (CLIC).

**Exhibit 4: Price index of non-ferrous metals,  
September 2015 to August 2016**



Source: China Logistics Information Center

**Exhibit 5: Price index of copper, aluminum, lead and zinc, September 2015 to August 2016**



Source: China Logistics Information Center

## FUNG BUSINESS INTELLIGENCE

**Fung Business Intelligence** collects, analyses and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

The **Fung Group** is a privately held multinational group of companies headquartered in Hong Kong whose core businesses are trading, logistics, distribution and retailing. The Fung Group employs over 45,100 people across 40 economies worldwide, generating total revenue of over US\$24.8 billion in 2015. Fung Holdings (1937) Limited, a privately held business entity headquartered in Hong Kong, is the major shareholder of the Fung group of companies.

## CONTACT

Helen Chin  
Vice President  
Global Sourcing

Fung Business Intelligence  
10/F LiFung Tower,  
888 Cheung Sha Wan Road  
Kowloon, Hong Kong

T: (852) 2300 2470

F: (852) 2635 1598

E: [fbicgroup@fung1937.com](mailto:fbicgroup@fung1937.com)

W: <http://www.fbicgroup.com>



© Copyright 2016 Fung Business Intelligence. All rights reserved. Though Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of Fung Business Intelligence is prohibited.